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# “The Future of Hong Kong”

Seminar held in the Moses Committee Room,  
House of Lords on 19th June 1992

**The Friends of Hong Kong Committee**

*An edited transcription of the proceedings.*



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Chairman -

Vice-Admiral Sir John Roxburgh

Rt.Hon. David Howell MP

The Hon. Simon Ip, JP

Dr. David Hsi-cheh Chang

Open Session:

Derek Davies

Robert Elegant

Norman Stone

Ray Whitney MP

Alistair Lang

Mrs. Rosemary Righter

Mrs. Jiang Chun Yan

### LUNCH

Lord Amery

### AFTERNOON SESSION

Dr. Yu-Ming Shaw

Congressman Philip Crane

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Brian Crozier

Ray Whitney MP

Dr. Steve Tsang

President - Dame Jill Knight, DBE, MP

A day before the seminar was held at the House of Lords, Dr David Hsi-cheh Chang - President of the Friends of Hong Kong and Macau Association, Taipei, and a key speaker on 19th June - called on Dame Jill Knight, President of the Friends of Hong Kong Committee (FHKC). Left to right: Mr Ronald Baxter, Secretary FHKC, Dame Jill Knight, Vice-Admiral Sir John Roxburgh, Chairman and Dr David Hsi-cheh Chang.





## VICE-ADMIRAL SIR JOHN ROXBURGH, KCB, CBE, DSO, DSC\*

After thanking Lord Sudeley – a member of the Committee – for arranging the venue of the seminar, Sir John said the Committee was founded in this country in 1985 by a group of politically aware people who were concerned about the future of Hong Kong.

We are a small pressure group formed to promote the interests of the people of Hong Kong and to provide a forum for discussion. To this end we publish our own quarterly newsletter – THE MONITOR – which is well respected in many parts of the globe. All US Congressmen receive a copy and we have various enquiries from some surprising quarters – from Bulgaria and one came from a professor in Austria. We encourage publicity in pursuit of those interests – a job which I am happy to say is being done nobly by the media in this country. I hope that today's conference will be used as a platform to continue their good work. I think it would be fair to say that the interests of the people in Hong Kong are not necessarily the same, as we shall no doubt discover today. There are those on the one hand with interests in mainland China anxious to avoid rocking the boat, whilst there will be others who would like to see a fully representative democratic administration in place before the handover.

The aim of today's proceedings will be to influence key decision makers and encourage discussion of vital factors affecting the future well-being of the people of Hong Kong over the next five years, and beyond 1997. We hope to help lay the foundations for an international campaign to protect the freedom and economic well-being of the people there after 1997. I hope we will avoid dwelling on the past but concentrate instead on restoring confidence in the future. We won't necessarily be criticising the Government nor are we going to be anti-communist but I am sure that expressions on both sides will come out at the meeting today.

## THE RT.HON. DAVID HOWELL, MP

I am asked to speak on Britain and Hong Kong foreign policy objectives and I have no hesitation at all in addressing precisely that issue. I am going to start straight away with my own answer although I don't claim any official blessing or approval for this. It is my answer to the question of what our foreign policy objectives here in the UK must be, should be and as far as I am concerned are, as we turn to the crucial question of the future of Hong Kong.

Let me begin at the beginning. The first is that after 1997 and indeed for 50 years thereafter (which in Peking a senior Chinese official tells me when translated is really for ever) Hong Kong should be not just a Special Administrative Region but – and I choose my words carefully – a great free republic operating the capitalist free enterprise system under Chinese suzerainty, but radiating its influence, techniques and methods out into the entire coastal region of the People's Republic of China, as it is already doing in an ever more vigorous way; spreading to more and more millions the simple assignment given to them by Deng Xiaoping himself, which is for people to get rich. That is the first task and objective of all our efforts, to see the enduring and growing success of Hong Kong at the heart of one of the most dynamic areas of world economic prosperity coming up in the next decade and the 21st century.

The second objective is one that brings us nearer home or my home anyway. It is to ensure that the UK and our interests in this growing region, in this region of planetary and global significance are defined, enlarged and made to prosper. No one can blame us as citizens of the United Kingdom for seeking to build on our interests and see that they are furthered and maximised in this vast region that is now open-



ing up to us. So those are objectives easy to state. We have now to turn our minds to the question of the how and overcoming the details and problems that lie between us and the achievement of those objectives.

I want to start with personalities and say this to you. The appointment of Chris Patten as Governor of Hong Kong now here at this undoubtedly difficult period, is extremely good news for Hong Kong and indeed for the entire region about which we are talking. I do ask you to bear in mind as I know you will throughout this conference, that this is a regional issue - we are now talking about a vast and mighty region of tens of millions if not hundreds of millions of people who are going to prosper and develop and contribute to Asian economic growth. So it is very good news for Hong Kong, because here is a man who is as close as you can possibly get to the Prime Minister and Chief Executive of this nation. I have heard people in Hong Kong of course say, "Ah, but he is a defeated politician". This is to totally misunderstand the nature of British politics. Far from being defeated, Chris Patten is a victorious architect of a most amazing party political victory in this country and is rightly credited with that victory. It happens that he was in a marginal seat and all of us who are in parliamentary politics know that in marginal seats things can go either way any time. Sometimes by chance. I suspect in this case because his opponent said, "Here is a target, we will target Chris the Chairman of the Government party, the Conservative Party and will have a real go at it", and they won. But to call that a defeat in British politics is meaningless. Here is a highly successful, towering, vigorous British politician as close as you can get to the Prime Minister. So that is good for Hong Kong and indeed, I think, good for Britain as well. It is also good for Beijing. Beijing has exactly what it wants although I haven't heard it listening to words from Beijing. If one asked high Chinese officials in recent months what sort of Governor they really wanted they said we would like someone who is close to the top of Britain, who has really got the ear of London, who is really plugged in to the British power political system. And indeed that is what they have got. The truth is that Chris Patten combines within himself the best possible person both for UK purposes as I have described to you, and for Hong Kong purposes. I think it is a most encouraging appointment. He is a man I believe who will support Hong Kong and Hong Kongers with vigour.

Nothing I have said is intended to be a criticism of the outgoing Governor David Wilson, who I believe has presided with great skill amidst a lot of criticism, some of it very ill informed, over an immensely difficult period. Some of us forget just what the strains were, particularly before and just after Tiananmen Square when, in effect, the Territory had something approaching a nervous breakdown. It was the unenviable task of David Wilson as the Governor to steer things through that very difficult period which he did with the greatest possible skill. But since then, since Tiananmen and certainly since the 1984 Accord things have changed. They have changed in the world at large. I think it would be true to say today in 1992 that the world everywhere expects higher democratic standards than were even dared hoped for a decade ago. I am not necessarily buying Mr Fukiyama's thesis about 'the end of history', but I do think we now see a real possibility that liberal democracy is triumphing everywhere against tyrannical forms. Everywhere peoples are beginning to judge the condition of their lifestyle and their hopes against higher democratic standards. So it may now be time with the new Governor coming in to office, to convey both to Beijing and to the wider world some stronger messages than in the past, about the degrees of democratic standards necessary for peoples to work, prosper and in Deng Xiaoping's words "get rich". I believe Chris Patten is uniquely suited with his political skills, his communications skills and his administrative skills to do that.



## A SPEECH BY THE HON. S. O. IP, JP, LEGISLATIVE COUNCILLOR, HONG KONG:

In two weeks from today our current Governor, Lord Wilson, will be leaving his post and, six days after that, our new Governor, Mr. Chris Patten, will be arriving.

This is, therefore, the appropriate time to pause and take stock of the situation, reflect on the achievements and failings of the past and plan for the challenges of the future. Also, in order to assess the prospects of Hong Kong's future it will be necessary to examine the events of the past.

I hope to present a balanced picture of Hong Kong, mentioning both the negative as well as the positive aspects as I see them.

The report of the International Commission of Jurists on Hong Kong, released in April this year, raised some thought-provoking points, including the following:-

that the people of Hong Kong have not been allowed to exercise the right of self-determination;

that Britain should have held a referendum in Hong Kong to ascertain the wishes of the people of Hong Kong before signing the Joint Declaration;

that the United Kingdom has an obligation, to provide the right of abode in the U.K., or in acceptable third countries, for all Hong Kong British Dependent Territories Citizens;

that the Joint Declaration, while creditable in other respects, is seriously defective in failing to ensure that the Chief Executive will be democratically elected by and democratically accountable to the people of Hong Kong;

The ICJ Report also commented on many aspects of the Basic Law. As I am sure you know, the Sino-British agreement provided that the policies regarding Hong Kong stated in the Joint Declaration were to be stipulated in a Basic Law of the Hong Kong Special Administrative Region and that those policies will remain unchanged for 50 years.

### **THE BASIC LAW**

Two drafts of the Basic Law were made available for public consultation and many bodies, including the Law Society of Hong Kong, of which I was then President, commented on its various provisions. Some of our suggestions were adopted, but unfortunately some of the more important ones were not. For example:-

The power of interpretation of the Basic Law concerning the relationship between the Central People's Government and Hong Kong is vested in the Standing Committee of the National People's Congress rather than in the courts of Hong Kong. This is contrary to the common law principle that laws should be interpreted by the courts and not by an executive organ of Government. Only in China's socialist system is the law interpreted by the People's Congress and not by the courts. The Basic Law in effect extends this socialist practice into Hong Kong. This will be an erosion of Hong Kong's right to exercise independent judicial power provided for in the Joint Declaration.



The Basic Law provides for the Chief Executive to be chosen by an Election Committee, all of whose members would be appointed by the Central People's Government. Although these members are to be selected in accordance with an electoral law to be enacted by the HKSAR on the principles of democracy and openness, the requirement that they be appointed by the Central People's Government gives Beijing much scope to influence the composition of the Committee and therefore the selection of the Chief Executive.

The Basic Law limits foreign passport holders in the Legislative Council to 20 per cent, or 12 out of 60 seats, a restriction not found in the Joint Declaration, which merely provides that the legislature shall be composed of local inhabitants without mentioning nationality or right of foreign abode.

The Basic Law gives the National People's Congress, not Hong Kong, power to decide if there is a state of emergency. Thus, it is the Central People's Government in Beijing, not the Special Administrative Region Government in Hong Kong, that can declare martial law. This runs contrary to the principle of a "high degree of autonomy" for Hong Kong and enables the National People's Congress to apply the relevant emergency laws of the PRC to Hong Kong.

Before the Basic Law was passed, the Tiananmen incident of June 1989 occurred and dealt a severe blow to confidence in Hong Kong. As a result, Britain reacted swiftly by adopting three measures to restore confidence. These were a more rapid pace of democratisation, enactment of a Bill of Rights and introduction of the British Nationality Scheme.

#### **MEASURES TAKEN BY BRITAIN AFTER TIANANMEN**

The first of these measures bore fruit last September when, for the first time in history, direct elections to the Hong Kong Legislative Council were held, with 18 of the 60 seats being thrown open to direct contests. This means that, for the first time, Hong Kong now had a legislature, the majority of whose members were elected in one form or another. This has resulted in a more open and accountable government.

Another round of elections will be held in 1995. These are crucial because, under the "through train" concept, legislators will not only be the last Legislative Councillors of the British colony but also the first Legislative Councillors of the Special Administrative Region, serving through the transition until 1999. Before that can happen, however, many issues have to be worked out with the Chinese Government, including the question of whether the number of directly elected legislators can be more than 20. So far, the Chinese Government has been adamant in maintaining that the number cannot be changed and that the Basic Law cannot be amended before 1997. If that is the case, then nine new functional constituency seats will have to be created by 1995, as well as an Election Committee which will return 10 seats. No decisions have yet been made on which sectors will hold the new functional constituency seats, nor how the Election Committee will be composed.

Another contentious issue is the provision in the Basic Law that no more than 20 per cent of the members of the Legislative Council can have foreign passports or the right of abode in foreign countries. It is not clear just how this will be achieved but, however it is done, China's consent will certainly be necessary.

The second of Britain's confidence-boosting measures was the passage of a Bill of Rights. The Hong Kong Bill of Rights Ordinance came into effect in June last year. It incorporates most of the provisions of the International Covenant on Civil and Political Rights and makes them justiciable in the courts of Hong Kong. This has had a salutary effect in Hong Kong. The Hong Kong Government, the people and the





courts are today much more conscious of human rights than before and action is being taken to make the rest of Hong Kong's laws consistent with the Bill of Rights. Unfortunately, China has expressed reservations on the Bill of Rights and has announced its intention to review the legislation after 1997. However, it is difficult to see how the Bill of Rights can be attacked on the ground that it is not in conformity with the Basic Law since the Basic Law stipulates that the International Covenant on Civil and Political Rights, on which the Bill of Rights is patterned, will remain in force in Hong Kong after 1997.

In an attempt to entrench the Bill of Rights, the Letters Patent under which Hong Kong is governed have been amended. A new article of the Letters Patent, which came into operation on the same day as the Bill of Rights, says:-

"The provisions of the International Covenant on Civil and Political Rights, adopted by the General Assembly of the United Nations on 16th December, 1966, as applied to Hong Kong, shall be implemented through the laws of Hong Kong. No law of Hong Kong shall be made after the coming into operation of the Hong Kong Letters Patent 1991 (No 2) that restricts the rights and freedoms enjoyed in Hong Kong in a manner which is inconsistent with that Covenant as applied to Hong Kong."

This provision entrenches the Bill of Rights until 1997 when the Letters Patent will cease to have effect. Thereafter, a provision in the Basic Law with a similar effect; namely, Article 39 will come into operation.

There have been strong calls in Hong Kong to set up a Human Rights Commission. This has been rejected by the Hong Kong Government. But the ICJ, in its report, has also recommended the setting up of such a commission. I am amongst those who strongly favour a Human Rights Commission to give full expression to the Bill.

The third British measure was the Nationality Scheme, under which 50,000 Hong Kong heads of households will receive full British citizenship with right of abode in Britain. This Scheme is being implemented at present and may have had some effect in stabilising the brain drain. The emigration figures dropped last year to 60,000 from 62,000 in 1990 but it is expected to remain at the 60,000 level for the next few years. What is encouraging is the noticeable stream of people returning to Hong Kong after having received foreign passports abroad, a flow estimated at about 10 per cent of those leaving. To some extent, this phenomenon is due to the current recession in the western world, the relative strength of Hong Kong's economy and the many opportunities that still exist there, especially for people in the business, professional and service sectors.

### **THE SINO-BRITISH JOINT LIAISON GROUP**

Since the Joint Declaration came into effect in 1985, Britain and China have conducted discussions on Hong Kong's future through the Joint Liaison Group. There is much that the JLG needs to do. All discussions so far have been held behind closed doors. The Hong Kong public is excluded, as are their representatives in the Legislative Council. The Joint Declaration provides that the proceedings of the JLG shall remain confidential unless otherwise agreed between the two sides so it is open for them to agree to waive confidentiality on suitable occasions or issues. However, requests by the Legislative Council to be consulted on issues to be discussed have not been met. Hong Kong people are still not given a voice on these crucial matters despite the fact that it is their future that is at stake.

This has led to problems such as the agreement between Britain and China over the setting up of a Court of Final Appeal. Such a court, to replace the Privy Council, was provided for in the Joint Declaration.



Both the Joint Declaration and the Basic Law say that the Court of Final Appeal "may as required invite judges from other common law jurisdictions to sit on the Court of Final Appeal." It was to be up to the Court to decide when to invite overseas judges, whom to invite and how many to invite.

However, last September, Britain and China agreed to set up the Court in 1993 but limited the Court's power so that no more than one overseas judge may be invited at any one time. This was so blatantly contrary to the Joint Declaration and the Basic Law that the Hong Kong Legislative Council, in a motion debate that I sponsored in December, rejected the agreement by a decisive vote of 34 to 11.

### **MONITORING IMPLEMENTATION OF THE JOINT DECLARATION**

The Joint Declaration is a binding agreement on how Hong Kong is to be run for 50 years after 1997. That being the case, the agreement will survive the transition to the year 2047. Yet Beijing has maintained that while before 1997 Hong Kong is a matter for Britain and China, after 1997 it will become China's internal affair. I am not aware of any British response to this doubtful proposition.

If Britain wishes to bolster confidence in Hong Kong, it should make clear to Hong Kong, to China and to the rest of the world that it is prepared to play its part after 1997 to ensure that the provisions of the Joint Declaration will be observed. The British Government should indicate what steps it is prepared to take in the event of non-compliance, including referral to the International Court of Justice in the Hague.

As the Joint Declaration was registered at the United Nations, the international community too will have an interest in monitoring how the agreement is implemented. Attempts by the United States Congress to enshrine the policies of the Joint Declaration in U.S. domestic law through the "U.S. - Hong Kong Policy Act" sponsored by Senator McConnell drew strong protests from China that such a move would constitute interference in China's internal affairs. Notwithstanding those protests, the good intentions of the U.S. were generally welcomed in Hong Kong.

With China in its 14th year of economic reform, the fruits of opening up to the outside world are now obvious, especially in Guangdong province adjoining Hong Kong to its north.

The Chinese economy has been developing rapidly, largely because of Hong Kong participation. Sixty per cent of all foreign investment in China comes from Hong Kong. Ninety per cent of this is in Guangdong province. Hong Kong companies now control 25,000 factories in southern China, employing an estimated three million workers. This is four times the size of Hong Kong's own manufacturing work force.

The opening up of China has provided a hinterland for Hong Kong, making available land and labour at low cost. This has removed longstanding constraints on the development of the Hong Kong economy. Labour intensive jobs have been exported to the mainland and Hong Kong itself is focusing more on developing its service industries.

Meanwhile, Hong Kong has also resumed its original role of facilitating trade with China. The Colony was created in the 19th century for that very purpose. For political reasons, both in China and the West, this was not possible from the 1950s to the 1970s but, with the death of Mao Zedong and the downfall of the Gang of Four, China reopened its doors to the outside world and Hong Kong, after an interruption of three decades, is once again playing its historical role. Much as Hong Kong's domestic trade has grown, the re-export trade - mostly goods passing into and out of China - has grown even more. In 1981, Hong Kong's domestic exports amounted to HK\$80 billion (thousand million) whereas re-exports were about



half that amount. Ten years later, domestic exports had almost tripled. But re-exports had grown 13-fold so that, in 1991, re-exports were more than double the value of the territory's domestic exports. This shows, quite dramatically, that Hong Kong is again playing the role of facilitator of business between China and the rest of the world. Hong Kong and China are now each other's largest trading partner.

China accounts for 10.6 per cent of overseas investment in Hong Kong's manufacturing sector, exceeded only by Japan, with 31.5 per cent, and the United States, with 30.6 per cent. Britain is in fourth place, with 7.1 per cent. Moreover, more than 600 foreign companies have their regional headquarters in Hong Kong.

Much business interest in Hong Kong has been spurred in recent months by the Government's plan for a new international airport as well as port facilities to take us into the next century. The overall cost of the ten airport core projects alone is estimated at \$175 billion. The first runway of the airport will be ready by 1997. Unlike Kai Tak Airport, the Chek Lap Kok Airport north of Lantau Island will operate around the clock. It will be served by a railway, new highways and a third harbour tunnel, all part of the new infrastructure needed to position Hong Kong for the 20th century and enhance its role as an entrepot.

The project was stalled for many months by a dispute with China which was eventually resolved with the signing of the Memorandum of Understanding by Prime Minister John Major and Premier Li Peng in Beijing last September. Not all the problems have been ironed out, as the Chinese Government is still not fully satisfied with the cost and financing arrangements.

The new infrastructural projects offer exciting opportunities for participation by companies in Hong Kong and around the world. The new terminal will be designed by Sir Norman Foster, who also designed the current Hongkong Bank Headquarters. Apart from opportunities for investment, there is also tremendous scope for participation in the various projects as well as enormous opportunities in relation to the supply of services, materials and equipment.

Hong Kong is both a participant in the Chinese economy and a beneficiary of its growth. The economies of Hong Kong and its neighbour are complementary, and have grown increasingly interdependent. Hong Kong has turned into the economic capital of southern China, with Hong Kong providing finance and technology, as well as managerial, financial and marketing skills while Guangdong provides land and labour. Hong Kong is the engine that drives the Guangdong economy. The Hong Kong dollar is now widely accepted in Guangzhou and other parts of Guangdong province where it is believed nearly 20 per cent of all Hong Kong dollars are in circulation.

Hong Kong lies at the apex of what has been called "the mother of all growth triangles." The triangle of Southeast China, Taiwan and Hong Kong is growing more rapidly in real terms than any other region in the world. If Guangdong were a country, it would be the fastest growing country in the world. All expectations are that such growth will continue well into the next century. Hong Kong's role as the hub of the Asia Pacific Region and its strategic position as the gateway to China will ensure its prominence as an international centre in the coming decades. China's commitment to further economic reforms was reaffirmed by patriarch Deng Xiaoping's journey to southern China earlier this year. Beijing has made clear its determination to speed up the reform process as well as to combat leftist force. Vice Premier Tian Jiyun has even suggested that eventually the whole of China could become one vast special economic zone.



Because of this, many people, especially businessmen, now see China not as the greatest liability in Hong Kong's future, but as the territory's greatest asset. The truth is that China is both Hong Kong's greatest asset and its greatest liability. This was true historically. It remains true today.

Hong Kong has to deal with China as it is and must view China realistically.

Without doubt, economic development means that Hong Kong is of immense value to China, and vice versa. The people of China, especially of southern China, are experiencing a rapidly rising standard of living and are unlikely to want a reversal of the open door policy. It is unlikely, therefore, that China will retreat into isolationism.

But economic prosperity in itself does not guarantee a liberal political regime. It is possible for the Communist leadership to move towards a free market economy without a more liberal system of government. By raising the standard of living of the people, the Chinese leadership is lowering the level of discontent and relieving pressure for change, its goal being to consolidate its power by bringing about major economic reforms without having to institute fundamental political changes.

This pattern is already evident. The Chinese Government is allowing stock markets to develop in Shanghai and Shenzhen. Public flotations and the issue of "B" shares have been a great success. Even horse racing is being revived, with horses being supplied by the Royal Hong Kong Jockey Club.

China's attitude towards Hong Kong after 1997 was spelled out recently by Deng Xiaoping during his much publicised visit to southern China early this year. He said:

"One should by no means take for granted that the administration of Hong Kong will be relaxed" after 1997, "that Hong Kong will be entirely run by Hong Kong people because China will leave everything to them and that, in this way, all will be fine."

He explained: "If the Central Government had no hand in the concrete affairs of the Special Administrative Region, what if something detrimental to the country's fundamental interests happens? What can be done then? For this reason, the Central Government must have some power in hand over the region and put an army there"

It is, therefore, unsafe to assume that closer economic integration and cooperation between Hong Kong and Guangdong will, in itself, eliminate the risk of political interference by Beijing. The Central Government is suspicious of separatist tendencies in Guangdong province and the development of closer ties between Hong Kong and Guangdong may fuel such suspicions.

So what does Hong Kong have to fear from China?

The answer, in a word, is instability. Political instability has been China's curse for well over a century. British sovereignty provided a buffer for Hong Kong but, come 1997, that buffer will be removed. Only time will tell whether the current reformist movement will prevail over the conservative forces. No one can discount the possibility of the pendulum swinging in the opposite direction resulting in a more hard-line approach towards Hong Kong.

Moreover, the coupling of Hong Kong's economic fate with China's means that we are much more vulnerable to such things as a worsening of U.S.-China relations. If Washington should take away China's Most Favoured Nation trade status, it would deal a severe blow to Hong Kong. The United States





Congress is now proposing a new formula for sanctions. Under this proposal, private enterprises and joint ventures will be exempt and only Chinese state enterprises will be penalised. Recent reports of treatment by China of the foreign media covering the third anniversary of Tiananmen Square will unfortunately provide more fodder for the anti-MFN lobby. These are uncertainties that Hong Kong will continue to face in the years ahead until China can demonstrate an improvement to her human rights record and the current struggle between reformists and conservatives has been played out.

In conclusion, I would say that the Joint Declaration, while imperfect, is a good foundation for Hong Kong's future and we should try to build on it. There are areas of the Basic Law that require further attention with a view to amendment. Only five years remain of the 13-year transition period. It is encouraging to see that the British Government seems to be according a higher priority to Hong Kong. In this connection, I wish to make several proposals for the British Government's consideration.

First, it is important to devise means by which the people of Hong Kong can be represented in discussions between Britain and China. One way of doing this may be to allow some members of the Legislative Council to attend JLG sessions, either as part of the British delegation or as observers. At the very least, there should be consultation with Legislative Councillors on issues to be discussed by the JLG so that public opinions can be voiced before agreements are reached.

Second, it is more important for Britain to reach agreement with China over when the Legislative Council will be fully directly elected than simply on an increase in the number of elected seats in 1995. If Britain cannot grant greater democracy to Hong Kong, at least it must see to it that by the time of British withdrawal in 1997, full democracy must be within sight. Since the Basic Law says the ultimate goal is to have full direct elections, Britain should press China to spell out a concrete timetable beyond 2007.

Third, the British Government should consider legislation to govern its relationship with Hong Kong after 1997. If legislation should be thought inappropriate, then the British Government should publicly state what its role will be after 1997. One concrete step would be for the British Government to continue to make annual reports to Parliament until the year 2047, when the Joint Declaration will expire. We all hope China will live up to the promises it made in the Joint Declaration. But Britain should spell out what it could or would do if China does not.

Action by Britain in these areas will demonstrate her determination to fulfil her moral and legal commitments to the people of Hong Kong.

### **ADDRESS BY DR. DAVID HSI-CHEH CHANG, PROFESSOR, NATIONAL CHENGCHI UNIVERSITY, TAIPEI; PRESIDENT, FRIENDS OF HONG KONG AND MACAU ASSOCIATION, TAIPEI, REPUBLIC OF CHINA.**

Both Hong Kong and Taiwan are inhabited by Chinese people with common lifestyles, cultural backgrounds and traditions. In 1949, both experienced the influx of more than one million people who migrated from the Chinese mainland. The degree and mode of economic progress in Hong Kong and Taiwan are comparable and the two enjoy a geographic proximity. Thus, there would appear to exist a solid foundation for excellent relations.

But on October 1 in the winter of 1949, the Chinese Communists established the People's Republic of China (PRC) on the Chinese mainland and the ruling central government of the Republic of China





(ROC) moved to Taiwan. Due to factors such as ideological differences and historical animosity between the Nationalists and the Communists, the two sides of the Taiwan Strait have remained belligerents over an extended period of time. On January 5, 1960, Britain recognised the Communist regime as representing China and broke diplomatic relations with the ROC government on Taiwan. Hong Kong is a colony under British rule and therefore has always adopted a prohibitive stance towards the Republic of China. Taipei has also adopted a cautious approach in its relations with Hong Kong. Although contacts between Taiwan and Hong Kong have never ceased, the limitations, restraints and suspicions make the degree of rapport far from ideal. The amount of bilateral trade is not significant; trips by Taiwan residents to Hong Kong and vice versa are mostly for visiting friends and relatives or for tourism and shopping. However, some more striking instances include: 1) Approximately one thousand Hong Kong youth arrive in Taiwan to study in universities and colleges every year; 2) A large number of Hong Kong residents, dissatisfied with the policies of the Chinese Communists, come to Taiwan to unreservedly voice their anti-Communist viewpoints.

Due to changes in the world situation, the Chinese Communist authorities in early 1979 altered their policy towards Taiwan and suggested that mainland China and Taiwan establish direct postal, transportation and commercial links. The government of the Republic of China on Taiwan also has adopted in succession a series of reform measures, some of which involve external relations as well. These include the loosening of controls on foreign currency exchange, abrogation of martial law, dropping restrictions on unofficial visits to relatives in mainland China, the opening of indirect postal, transportation and commercial links, formulating guidelines for national unification and the announcement of the termination of the Mobilisation Period Against Communist Rebellion. The resultant cessation of hostilities between Taiwan and Mainland China and the changing relations between the two shores of the Taiwan Strait are of course the greatest legacy of these reforms. However, prior to the marked improvement in cross-Strait relations, ties between Taipei and Hong Kong were already moving closer. The following facts and figures can illustrate this development over the past few years:

1) The volume of bilateral trade between Taiwan and Hong Kong increased from US\$1.87 billion in 1982 to US\$14.57 billion in 1991. Of this total, according to statistics from Taipei, the transfer through Hong Kong of goods travelling between the two shores of the Taiwan Strait amounted to US\$5.5 billion. Yet the value of transferred goods from Taiwan to the mainland was US\$4.67 billion (a growth of 42.36% over the previous year), while transfers going to Taiwan from the mainland totalled US\$1.1 billion (a growth of 47.41% over the previous year), which indicates a cross-Strait trade volume via Hong Kong of nearly US\$5.8 billion in 1991.

2) In 1987, there were an average of 104 weekly commercial air flights between Taiwan and Hong Kong. After Taiwan dropped restrictions on unofficial family visits to the mainland in that year, the number of flights has steadily increased to the present 290 per week, which is still unable to fully meet the demand. There were over 1.36 million visitors from Taiwan to Hong Kong in 1991 alone.

3) A report in the May 17, 1992 edition of the Japan Economic News pointed out that in recent years the total of Taiwanese capital flow to Hong Kong has amounted to over US\$15 billion, of which a portion is channelled to mainland China.

4) In 1991, ROC monetary officials approved the establishment of a Hong Kong office for three banking institutions - Hua Nan, First Bank and Chang Hua. The Hua Nan bank established a branch in May this year. In addition, the Bank of Taiwan, the Small and Medium Enterprises Bank, and the



Farmer's Bank of China will establish Hong Kong offices by year's end. Two Hong Kong banks are also currently planning to open branches in Taipei.

5) In the past few years, business and industrial leaders in Taiwan and Hong Kong have organised visiting delegations in increasing numbers so as to strengthen contacts and co-operative relations.

6) During the first half of 1992, groups representing the Hong Kong press, television stations, school administrators and educators, doctors, college student representatives, scholars and other specialists have visited Taiwan on fact-gathering tours or as conference participants. These meetings have all been extremely earnest and frank in examining and reviewing the current state of Taiwan-Hong Kong relations and prospects for future developments. At the "Outlook for Taiwan-Hong Kong Relations" Seminar, held on June 3 and 4, 1992, thirteen scholars, including professors from Hong Kong University and the Chinese University of Hong Kong, participated with their active discussion and paper presentations. There have also been more than ten visits of similar nature to Hong Kong this year on the part of Taiwan community leaders and scholars.

7) The two largest privately owned newspapers in Taipei have begun operations in Hong Kong. The United Daily News began publication on May 4, 1992 of the Hong Kong United Daily News and The China Times issued its first edition of China Times Weekly in January 1992. The Taipei External Trade and Development Council and the Bureau of International Trade have also established respectively in Hong Kong the Taipei Trade Center and the Far East Trade Center. A leading cultural and news organisation is also planning to open a Taipei culture and information centre in Hong Kong. The Hong Kong Trade Development Council at the same time has also set up a representative office in Taiwan.

Presently, the PRC government rules mainland China while the ROC administers the Taiwan area. Both governments are insistent upon the principle of "one China" and have expressed their desires to unify China. However, the two have different conceptions about the exact formula, timeframe and speed for bringing about this unification. The Chinese Communist authorities advocate a "one country, two systems" format under which the current communist government and its political order will be maintained, as will the present political and economic systems in Taiwan. In the aspect of timing, the Chinese Communist authorities anticipate that after the "one country, two systems" formula has been implemented in Hong Kong and Macao, the unification of mainland China with Taiwan should be realised as soon as possible. Prior to unification, Peking hopes that the two sides of the Taiwan Strait can initiate direct postal, transportation and commercial links.

On the other hand, the Taiwan authorities advocate unification through a three-stage process involving short, medium and long-term initiatives, without a pre-defined timeframe. During the initial stage, the two sides should focus on expansion of exchanges, promotion of understanding and mutual resolution of hostilities. Each side will recognise the other as a political entity so as to foster a solid reciprocal relationship. Direct postal, transportation and commercial links are deemed to be medium-term initiatives which should not be pursued before that relationship is firmly rooted. As this condition does not exist at present, Taiwan will only permit indirect links in these areas. Accordingly, contact between the two sides of the Taiwan Strait continue to be conducted primarily through Hong Kong. In recent years, while contact between Hong Kong and Taiwan have been on the rise, a large portion of it has involved cross-Strait exchanges with Hong Kong playing the role of middleman. In the future, if cross-Strait relations advance beyond the initial stage and Taiwan opens direct links with the mainland, Hong Kong's function as intermediary and transfer point will naturally diminish.



Under British rule, Hong Kong does not have official diplomatic relations with the Republic of China but maintains only limited and denormalised unofficial ties. Under the influence of the traditional British concepts of freedom and rule of law however, the Hong Kong government has adopted an attitude of tacit understanding towards the affairs and activities of some of the ROC government-affiliated organisations operating there, so long as they do not violate the Hong Kong laws. In this regard, it has paid little concern to any satisfaction voiced on the part of the Chinese government. Several rather noticeable examples of this attitude have been: 1) The establishment in Hong Kong of travel services agencies to process visa applications to Taiwan; 2) Mandarin schools which are registered with the ROC Ministry of Education openly recruit students in Hong Kong and conduct entrance examinations on behalf of Taiwan colleges and universities; 3) Manifestly pro-ROC social groups, professional organisations, cultural and educational associations, as well as media can operate freely. The calendar of the Republic of China is often used in daily affairs; 4) Many Hong Kong residents celebrate the Double Tenth Anniversary and other major festivities by displaying the national flag of the Republic of China.

What will happen with regard to these special aspects of Hong Kong-Taiwan relations after the establishment of the Hong Kong Special Administrative Region (SAR) in 1997? Will the status quo be maintained? Will such activities be tolerated or even encouraged? Or will they be curtailed and perhaps eradicated?

Although SAR officials are delegated legal authority over such matters, in actuality the Chinese Communist authorities exercise decisive influence. Peking has time and again declared that Hong Kong's present system and way of life will be maintained for 50 years after the setup of the Hong Kong SAR and has pledged a high degree of autonomy for Hong Kong in conducting its affairs. Provisions guaranteeing these pledges have been drafted into the Hong Kong Basic Law. But a detailed examination of its contents reveals that the Basic Law is primarily geared toward protection of the economic system and related themes. As to matters of politics, culture, education, civic rights and obligations, etc., while a great number of pertinent clauses have been incorporated, they are often ambiguous and general in nature and therefore several gray areas exist in the Basic Law. The power of interpretation belongs to the central government in Peking – which may render a relatively broad interpretation, or a relatively narrow one, according to its wishes. The fact that the Peking authorities can exercise this flexibility with regard to the Basic Law enables the Chinese Communist government to wield enormous control over the Hong Kong SAR. For example, several practices which the current Hong Kong government tacitly allows could easily be restricted under Peking's interpretation of the Basic Law and punitive measures could even ensue. Accordingly, it will prove difficult to cultivate the political, cultural and educational aspects of Hong Kong-Taiwan relations unless fundamental relations between the two shores of the Taiwan Strait are improved and Communist China exercises moderation in its administration of the Hong Kong SAR.

The last thing Peking wants to see is the transformation of the Hong Kong issue into a matter of worldwide attention. PRC Foreign Minister Chien Chi-chen has time and again reiterated that prior to 1997 the Hong Kong question is a bilateral issue between Peking and London, and strictly a domestic issue after 1997 which will not involve any other nation. The PRC authorities have no desire to internationalise the Hong Kong issue, because they fear their actions could come under international scrutiny, which could affect Communist China's sovereignty over Hong Kong.

In fact, the issue of internationalisation is a two-faceted one involving both political and economic aspects. The Chinese Communist authorities reject outright any political involvement in Hong Kong affairs by the international community, yet they do not object to foreign input in matters of economy. This position



was stated in principle in the appendix of the Joint Declaration as well as in Chapter 7 of the Basic Law. Further, in 1986, Communist China and Britain jointly endorsed Hong Kong's application for entry into the General Agreement on Tariffs and Trade (GATT). Because Hong Kong plays an important role in international trade, finance, shipping, etc, Peking is aware that Hong Kong must keep a high profile in these areas after 1997 in order to contribute to the modernisation and economic development of the mainland.

Lately I have had numerous discussions with friends about the future of Hong Kong-Taiwan relations after 1997. Due to the plethora of variables affecting this future, it is difficult to arrive at a consensus as to what might occur. We do share the following observations however: 1) Taipei-Hong Kong relations should be actively promoted and enhanced; 2) Both Hong Kong and Taipei need to jointly exert their utmost efforts to promote these relations and not merely depend on the initiatives of one side or the other or of a few enthusiastic people; 3) The expansion of relations should be based on the principle of mutual benefit and mutual interest and should begin by stepping up exchanges and deepening understanding; 4) People in the international community who share an interest in the future of Hong Kong should also concern themselves with the development of Hong Kong-Taiwan relations.

### LUNCHEON ADDRESS BY LORD AMERY.

Thank you very much for your congratulations. I am glad to be back in Parliament again and quite relieved not to have a Constituency Association to report to.

Chungking 1944-45 was an extraordinary conglomeration, a microcosm of the whole of China. Before the Japanese invasion it had been a city of a few thousand people; when I was there, there were 2 million. They died and lived in the streets. Chou En Lai represented the communists. Many of the great war lords were there. Representatives of the great powers - Americans, Russians and to my gastronomic pleasure most of the best cooks in China had followed the Government to Chungking.

My knowledge of China is extensive but superficial. What was very clear to me, the abiding impression with which I came away, was that General Chiang Kai-shek for whom I had a very great respect, exercised very tentative control, even over that part of China which was not occupied. So I came away reminding myself that it was going to be very difficult for anyone to exercise any central control over the continent. So when the communist rule came I wondered if they would be more successful and I have never been quite sure that they were.

It is very difficult to analyse these things. China was at war which made it very difficult for them to know what was going on. But I did notice, for example, that Liu Sha-chi and Mao Tse-tung seemed to be free to move about Shanghai to plot against the Government.

There are many opportunities now to enjoy Hong Kong - this many splendoured derivation of China's genius and British administration. I think Hong Kong was the jewel of the creative ability of what we have managed to achieve together. When I was Secretary of State for Air and Aviation it was the jewel in the crown of British Airways. I had many friends there, visiting officially and also privately on my way to Taiwan or mainland China on more than one occasion.

So I think it is very appropriate to hold this seminar and think that the germ of the idea may have come from Han Lih-wu. I remember him saying in London we must get together many people from all parts of China to discuss Hong Kong. He would have been very happy to see this idea come to this conclusion.





About the past where Hong Kong is concerned: when I left Chungking to fight an election in London, as I left General Chiang Kai-shek and his government, I said, "What about Hong Kong?" He said "You will have to hand it back. But you know we are going to face a lot of problems after the Japanese war. This won't be very prominent on our agenda". These words came back to me when our Government decided to initiate talks with the Peking government about the situation after 1997. I do not want to pass judgement but let me repeat what I said in the House of Commons at the time. "Suppose we had not taken the initiative, would we have faced the same problem? Would the Government of the People's Republic have taken drastic steps or would they have hesitated not just because of the position of the United Kingdom but because of the enlarged American and Japanese investment in Hong Kong. Would they have wanted to put their reputation at stake by any military or blockading move?" I can also understand that business wanted to know what was going to happen in 1997 and this was the pre-occupation of the then British Government.

As for the present, I do not want to say anything that would conceivably embarrass Chris Patten. The news this morning was not encouraging. It showed that the Chinese Government pretty well issued a veto on any enlargement of the Legislative Council or alterations to the Basic Law. It also showed the leading elements in Hong Kong are divided. I suspect for the reasons I have already hinted at that the Chinese bark may be worse than its bite. I think there may be a great hesitation in that government to offend not only Britain but the United States of America and Japan. I think they place great value on their trade relations with the US so perhaps we should not take too seriously any threat that they have made.

Now looking to the future I can speculate more freely without any embarrassment to my friend Chris Patten. The first question is can communism survive in mainland China? I see from your conference programme that this is a subject which you have already discussed. Clearly Deng is essential to building up a more effective economy. Can you have liberalism of the economy without political liberalism? This is not as easy a problem as it sometimes seems. Countries like Taiwan, South Korea, Singapore and Chile have come to terms with reality similar to Franco in Europe. There is no way you combine the two. It is extremely difficult to combine with communism. China's liberal structures, industry and so on have been completely destroyed or very largely destroyed in the People's Republic. It would make it much easier for these structures to be replaced by new ones as in the case of the Soviet Union but it is extremely difficult to produce re-arranged structures employing millions whose jobs can be in jeopardy. So I would not be too optimistic about it. Maybe the changes will come in some parts of China and not in others.

First is the question of unity in China. There is a tremendous tradition of unity among the people. On the other hand history shows frequent divisions between North and South. There is even a gastronomic problem with different tastes in North and South. We have seen in the South the whole empire has broken up. There are deep differences between provinces but I do not think it will go to the height of the war lord period between the wars. Inevitably I think the Foreign Office and State Department see this situation from Peking. But of course in Hong Kong there is a different picture to look at. There is the continuing model of unity but is there growing autonomy in the South? Here there is liberalism taking place and this is where the greatest influences are. Perhaps the future interest of Hong Kong is to build up closer relations with the provinces of the South and with Taiwan and Singapore. I do not know.

After the war the Communist movement, because of the supplies they got from Manchuria, came from the North and took over the rest of the country. On the other hand historically you have the Ming dynasties in the South with their great prosperity producing a tide moving North. I do not know. It would be presumptuous. I simply ask the question in response to your kind invitation.





**ADDRESS BY DR. SHAW YU-MING, PROFESSOR OF DIPLOMATIC HISTORY, NATIONAL CHENGCHI UNIVERSITY, TAIPEI, TAIWAN, REPUBLIC OF CHINA.**

It is with both a sense of humility and hope that I stand here in these hallowed halls where modern democracy was founded. For herein lies the promised land of democracy, which every warm-blooded Chinese today seeks for their Motherland. In one sense I am deeply honoured to be invited to address such a distinguished audience and hopeful that we share a common vision of what can be accomplished in the quest for democracy. In another sense, my feeling of humility derives from the realisation that we have some considerable distance yet to go before realising that "blessed state" of democracy for China. My hope springs from the deep conviction that "we shall (indeed) overcome" all obstacles along the way, and all the sooner with your continued help!

It is with some irony that we gather here today to discuss Hong Kong. For 1992 marks the sesquicentennial of Hong Kong's colonial rule by Great Britain. The cession of Hong Kong to Britain 150 years ago was undeniably a tragic event for the Chinese people, yet today both the British and Chinese can take pride in Hong Kong's achievements. Certainly at this very moment, this tiny territory, often hailed as the "Pearl of the Orient", economically is in every sense of the word a success. Next to Japan, Hong Kong has the highest standard of living in Asia, and has become one of the truly great financial and commercial centres of the world. One question that may come to mind is: Without the combined efforts of the British government and the Chinese residents of Hong Kong following that ignominious beginning, would Hong Kong still be a sleepy, quaint fishing village? This irony of history is best left to the imagination. As the British government is about to hand the territory over to the Communist Chinese in 1997, however, it is worth examining for a moment what is at stake politically and economically and how this is done. It does not just signal the end of the colonial chapter in British history. Nor does it signal a righting of the unequal situation forged as a result of the Opium War in the mid-19th century between Great Britain and the then rulers of China. It is an act that will affect the future economic and political path of China, the nature of its relations with the West over the next century, and the lives of millions of people whose fate has been in your hands for a century and a half.

The present state of the British colonial effort in Hong Kong is much like the U.S. program to put Man on the moon. The final three or four flights produced more scientific research payoff than all of the earlier flight development efforts combined. Similarly, the ultimate political and economic return derived from the past 150 years of effort to shape Britain's relationship with China - one of the world's greatest potential trading powers, and home to one quarter of the world's population, hinge upon what the British government does in the remaining five years prior to the 1997 deadline. These few critical years are your last chance to redeem the best in British colonialism through offering your continued services to the people in Hong Kong and on the Chinese mainland. As the moment for success rapidly approaches, I urge you not to let the opportunity slip from your nation's grasp.

Transfers of political power in China during the past one hundred years have all been directly or indirectly linked to Hong Kong. For instance, over eighty years ago, Hong Kong exercised great influence in bringing about the collapse of the last Chinese imperial dynasty, the Ch'ing. The founder of democracy in China and its concrete manifestation, the Republic of China, Dr. Sun Yat-sen, derived his inspiration for transforming traditional Chinese society from his stay in Hong Kong from 1883 until 1892. His revolutionary resolution to overthrow the autocratic Manchu rulers came from the desire to make all of China as clean, orderly and efficiently run as Hong Kong was. Hong Kong was also the key base for promoting



the 1911 revolution that led to the establishment of the first republic in Asia, the Republic of China. This broke the dynastic cycle of Chinese history in which, it has been said, "there are only revolts, no revolution," and succeeded in implanting a new tradition in China – democracy.

Besides giving birth to the Republic, Hong Kong in the past four decades has served as a lighthouse of freedom and prosperity for the Chinese people on the mainland. Their flight from Chinese Communist rule caused Hong Kong's population to leap from 1.5 million in 1950 to 2.3 million within four years. Millions of originally penniless Hong Kong residents have wrought an economic "miracle out of a barren rock" under the "active non-intervention" policy of the British Crown colony government, its system of "administrative absorption of politics" and environment of free thought and free markets. This has kept the clear and undeniable standard of the quality of life in the free port of Hong Kong before the citizens of China while they suffered through various manifestations of "class struggle", "leaps forward" and the nightmare of the "Great Cultural Revolution" over the past forty years.

Ever since the first implementation of what the Chinese Communists call their open door policy in 1978, Hong Kong has come to export foreign-made consumer items to the mainland. The Chinese Communists have also sent a steady stream of cadres to Hong Kong to learn capitalist management methods in an effort to reform their own management system. The recent phenomenal growth of special enterprise zones in China, especially the nearby Shenzhen zone, cannot but be as a result of the influence of Hong Kong's aggressive spirit of high efficiency on those who now directly manage China's economic infrastructure.

Neither the rising fortunes of the present special economic zones nor the potential of the Pudong zone planned near Shanghai can yet supplant the long-term importance of Hong Kong for the entirety of China's trade with the West. This has clearly been recognised by other members of the international community, Japan and the United States, who have at present surpassed Britain in terms of investment in Hong Kong. Where the economic situation in the territory will head after the Chinese Communists take over control is not easy to predict, but the business sections of both these nations have concretely demonstrated their willingness to bet on a positive economic future for Hong Kong in the near term at least.

Ask any experienced British businessman and he will tell you, good politics is good business. If nothing else, the lessons of the past seventy-odd years in the former Soviet Union and the post-World War Two experience of Eastern Europe under Soviet domination have taught us that rigid socialist or communist ideology is not conducive to the kind of market efficiency for genuine, sustained economic growth. Even the stubborn, ageing Chinese Communist leadership in Peking has come to this realisation, although the path to economic liberalisation in China has zigzagged from right to left and perhaps back a bit recently. But despite all the attempts by those in Peking to hold the line against the "spiritual pollution" of Western ideas, the truth is that political liberalisation must accompany economic liberalisation to ensure its stability and permanency. The U.S. Congress is aware of this need for Hong Kong itself, and has recently passed a law upholding the existing relationship between the United States and Hong Kong beyond 1997.

The outlines of what sort of political framework the citizens of Hong Kong require for the future are manifest: a Hong Kong truly ruled by Hong Kong residents is best for all parties concerned, even the presently recalcitrant Peking leadership. It alone promises to minimise the current brain drain from Hong Kong, ensuring that the territory has the human resources to continue its phenomenal economic growth. From the perspective of the free world, it sets a positive example for the rest of China as to how to achieve the kind of sustained national development that all Chinese citizens seek in a peaceful, gradual



way. Over time it makes moot any ideological holding back by the ageing leadership in Peking from the necessary political maturing towards democracy that must accompany healthy, sustained economic growth throughout the Chinese nation. And thus, with time, it promises to bring China into the fold of the world economic order wherein she has a stake in preserving world peace. And that is in the best interest of the entire international community, not just the citizens of Hong Kong.

In fact, a number of years ago, the Chinese Communists themselves proposed to let "Hong Kong be ruled by the Hong Kong people" as a way to put their "one country, two systems" formula into practice. Their proposal, however, failed to inspire much confidence among the people of Hong Kong or elsewhere. Furthermore, since the end of June 1985, on Peking's order, Chinese Communist units in Hong Kong have refrained from mentioning such a measure. In addition, the Peking regime began to change its attitude when quantities of politically awakened citizens in Hong Kong enthusiastically took part in an indirect election of members to the Legislative Council of Hong Kong. In October 1985, Chi P'eng-fei, director of the Chinese Hong Kong and Macao Affairs Office, asserted that future reforms of Hong Kong's administration should be linked to the Basic Law, which will determine the political system in Hong Kong after 1997. Hsu Chia-t'un, director of the Hong Kong branch of the New China News Agency, made the criticism that the efforts to promote representative government in Hong Kong were not in accordance with the Joint Declaration signed between the Peking regime and Great Britain. These comments have helped to dispel the illusion that the Peking regime will not intervene in Hong Kong affairs at every turn.

This is unfortunate because increasing numbers of the younger generation in Hong Kong, those under forty years old, are clearly interested in democracy for the territory. Members of Hong Kong's older elite, professionals or wealthy businessmen, may have already secured, or will soon secure, passports for themselves and their families from free nations to guarantee their escape from Hong Kong should the Chinese Communists prove untrue to their word. However, 90 percent of the population, those with little money, or no relatives living abroad, or no professional skills or training cannot leave the territory. How they end up living, the young and the everyday man on the street, will signal to all Chinese inland the extent of democracy possible in China's political future over the next fifty years. Let's make that the greatest extent possible, because, gentlemen, it's in all our best interests.

### *Conclusion*

Britain's colonialism over the past couple of centuries has produced sorrow as well as success for those subjected to its rule. But on the whole, many British colonies have fared well economically and politically in the long run. In contrast, 43 years of Chinese Communist rule have been a nightmare for the Chinese people. Only three years after the Tiananmen incident, I feel impelled to employ a negative paraphrase of Winston Churchill's words of praise for the Royal Air Force during World War Two in a totally different context, by stating that in the case of Chinese Communist control of mainland China, never have so many suffered so much at the hands of so few. So it is with very mixed feelings that Chinese living in the free world regard the prospect of a foreign British government handing over territory it wrenched from a weak, neglectful foreign Manchu government ruling China in the 1840s under duress to a Chinese Communist regime whose political values are very "foreign" to all that modern Chinese republican history has witnessed years of struggle to achieve.

With only a five year window of opportunity remaining, I urge you to make this twilight phase of British colonial rule more of a brilliant afterglow, when the sweetest fruits are harvested from years of careful nurturing and tending. In the way you allow Hong Kong's political infrastructure to take shape, you are in



effect presented with the opportunity to significantly influence the near-term political future of one quarter of the world's population. When historians assess the contribution of Great Britain's colonial rule to world civilisation, may they say of your accomplishments in Hong Kong under the duress of Chinese Communist pressure that these next five years were yet another example of your "finest hour".

Thank you.

### ADDRESS BY CONGRESSMAN PHILIP CRANE:

I had the privilege of visiting Hong Kong in 1974 on a trip back from Saigon, and during that visit, I confess I was totally in awe of the development of Hong Kong. I had no idea what an advanced modern city it was - filled with those majestic skyscrapers (I love to brag that Chicago is where the skyscraper was invented). Hong Kong was awesome. Last year we were invited by the American Chamber of Commerce to make a trip that involved going to Beijing first and then to Shanghai, terminating in Hong Kong. While my wife had made trips with me to Taiwan she had not had the privilege of seeing Hong Kong. I vowed, as a member of Congress, I would never visit a Communist country but decided to violate my pledge so that my wife could have the opportunity of seeing the wonders of Hong Kong. I am profoundly grateful I made the decision to make that trip.



The truth of the matter is I harboured a real hostility and prejudice against mainland China; against the leadership, not the Chinese people. When the United States joined with the people of the United Kingdom and the French at the time of the Boxer Rebellion that was one of our first flirtations with internationalism. After it was over we were filled with guilt back in the States so we took our reparations in the form of having us pay for the education of Chinese children to come to the United States and attend our Universities. There has ever since been an enduring love affair between Americans and the Chinese people. People I underscore.

This never came home so forcefully as it did on our trip to Beijing and Shanghai. I went there filled with the expectations that you would see people suffering, who could not smile or act cheerful and I expected depression all over. Quite the contrary. We flew into Beijing and here were modern hotels, here were all the kids in western attire, and smiling, cheerful young people everywhere. In addition to that we had the privilege of visiting The Great Wall on a Wednesday and that was not a Chinese holiday. We got there before noon and there must have been easily a million people visible to the naked eye. The Wall was just jam-packed and in addition to the fathers, mothers and children there were these hucksters advertising their wares and their little transitory shops going up there. It was something just so totally western and aggressively economically that it was stunning to me. As I say it was not a national holiday, yet fully 95% of the people that were visiting The Wall that you could see were Chinese.

The other thing that struck me immediately when we got to Beijing was to see billboards in English and Chinese, advertising products. That is free enterprise; not a command-controlled economy. And we saw evidence of a lot of entrepreneurial activity even in Beijing. Now that paled into insignificance by the time we got to Shanghai. We were all under supervision of the Government there and we were meeting officials on the visit. We had about eleven members of Congress in the delegation and the Government officials conformed to my stereo-typical preconceptions. We would meet with the Secretary of this and that and we had members who were aggressively trying to arrange meeting with a couple of the protesters who were arrested coming out of the Tiananmen Square massacre. Wanting to check on their welfare we





had Government assurances but there were also reports that the Government was lying. And every time we met with the Secretary, "Oh I'm sorry that is not under my department's jurisdiction, you will have to go somewhere else".

They made no effort to be co-operative whatsoever, but the fact is we did have a meeting scheduled with the General Secretary Jiang Zemin. Now they said that this would be delayed for a while because they wanted to get a room big enough to get a picture taken with all of us and they finally arranged this. They had us line up and I made a point of being at the far end behind someone in the front row.

But the meeting with Jiang Zemin was indeed fascinating. Here was a hard-core Communist, indoctrinated all his life, and in this room we were all allowed to present a question to him. Some of my colleagues got in to the human rights discussion which was obviously a waste of time. They were not going to give us any information or co-operation but they got to me, and I said, "Jiang Zemin I don't have any question but I would like to make some observations to you".

I said, "I had at one time contemplated studying your history. The fact of the matter is it is just so magnificent in culture, art and tradition. It is mind boggling and there is nothing comparable to it. We as the Americans, the barbarians, have so much to learn from you and your history. By contrast we are only two centuries old - that's a moment in Chinese history. On the other hand there are some eternal truths we have discovered in just two centuries involving man's relationship to man and man's relationship to government and I think there are things you can learn from us just as we can learn from you. We do not want an adversarial relationship, we want a reconciliation of some of these profound differences that existed, especially in the cold war era". I sat down.

He got to his feet and in flawless English told me that while he was an engineering major, as an undergraduate he had studied American history and found it fascinating and suggested that I was addressing some proper issues. Then he quoted verbatim from the preamble to Jefferson's Declaration of Independence and launched into Abraham Lincoln's Gettysburg address - "Four score and seven years ago our fathers brought forth out of this continent a new nation conceived in liberty and dedicated to the proposition that all men are created equal".

And I was in absolute awe of this man. I had read the Communist manifesto more than once and I couldn't begin to quote one line of it. The thing that struck me was that a man in his late seventies could retain these quotations. In the back of his brain was the realisation that, "Yes, there are some eternal truths out there".

I remember when Nixon made his surprise trip to China, and as a conservative Republican I thought it was betraying our cause, that he was doing violence to our party, he was doing violence to the crusade for freedom everywhere. We were fighting the cold war - and here he was making a clandestine trip to Beijing of all places. Yet in retrospect I think that it was an opening. It has not progressed in positive terms as far or as fast as we would like, especially when we see what happened to the Soviet empire.

So I am guardedly optimistic in looking to the future and I think that Hong Kong provides a remarkable potential for future progress in China.

The problem is that in the States we think in terms of the next election or the next decade as a long time off. In China they think in centuries but if it continues to proceed as it is going there is a basis for real hope. One concern to many of us in the States was the Agreement reached by the United Kingdom and





the Chinese Government. Is this not really the potential for turning all the freedom-loving people in Hong Kong who enjoy most of the advantages of the western world, over to slavery? And yet, as things have progressed since, there has been a general observance of the guidelines. We were historically number one investor in Hong Kong. We are now number three but you know who is number one? Red China. Ten billion dollars, Japan 8 billion, the US 7 billion. It is not that we are backing off our investment but all of a sudden China is in there with a vengeance.

The principle of one country and two systems is one that has been faithfully observed thus far. The one country two systems policy is something China is committed to and, through the Basic Law, provides a detailed constitutional and legal framework. The Airport Agreement has had a profound effect on economic inter-relationships and has caused a lot of optimism on the part so people who were at one time growing pessimistic about sticking it out in Hong Kong. If present trends continue, future historians will say the Chinese economic take off was the greatest economic event of the 20th century.

There is legislation that the United States has made already. In the Statement of Defence, Senator Mitch McConnell pointed out that the Joint Declaration authorises Hong Kong to pursue independent bilateral relations in nine areas: economic, trade, financial, monetary, shipping, communications, tourism, culture and sport. There is nothing that is out of line with that agreement which is contained in his legislation that is going to become law and the fact is the more of that we can do the better in terms of guaranteeing the positive solution to that ultimate transition in 1997.

One final point. As you know, Boris Yeltsin came over and spoke to us. Yeltsin, in his speech, made this observation: there can be no co-existence between the market economies, and the power to control everything and everyone. There is a fundamental inconsistency, and yet the people who are in control in China are recognising the supreme benefits of this explosive economic growth and at some point there will be a fundamental inconsistency that, God willing, the people of China will be enjoying a way of life that is so widespread that there is no hope for a continuation of a Marxist imposed dictatorship.

*Both morning and afternoon sessions were concluded by panel discussions and questions from the floor.*

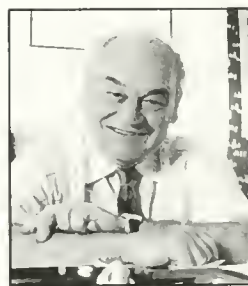
*In the morning the panellists were Derek Davies, former editor-in-chief of the Far Eastern Economic Review; Robert Elegant, well-known writer on Asian affairs; Norman Stone, Professor of Modern History at Oxford University and Ray Whitney, Conservative MP and a former diplomat in Peking.*

*In the afternoon the panellists were Mr Brian Crozier, the prominent writer, Dr Steve Tsang of the Centre for Asian Studies, Oxford University and Mr Whitney.*

*The following is a summary of panellists' remarks and contributions from the floor.*

## **DEREK DAVIES:**

I listened to Mr Howell with some interest but I am afraid little belief in the sense that he seemed to think that Hong Kong was central to the world's fastest growing economic region and that somehow London should take credit for this. I feel that the tragedy of Hong Kong in its present situation and with its prospects, which are so much open and vulnerable to events in Peking, have



been a direct result of the failure of the Foreign Office particularly, and within the Foreign Office its Orientalists, to the use of any real strength in any bargaining position vis-a-vis Peking. Those strengths were not on the table as it were but they consisted obviously in terms of Hong Kong's prosperity and the chances of Hong Kong playing a capitalistic role out of all proportion to its size in the development of Southern China in particular which has been taking place; and of course at that time it seemed that China could not afford to let Hong Kong go down the drain because it would kiss farewell to its own over-riding foreign policy aim of recovering Taiwan peacefully. That second negotiating strength was weakened as Taiwan has gained in its own self-confidence, democratisation and the opening up of the old hard-core tenets to a more realistic international policy which has resulted in Taiwan engaged in its own relations with China with visits, trade and direct investment. So I have been somewhat of a Cassandra wringing my hands in the wings as one has seen this dreadful group of Orientalists in the Foreign Office somehow suffer from a cultural cringe towards the country, the language and the culture they have spent so many long years studying.

The future of Hong Kong was of course never in its own hands but what say, if it had one, was enshrined in the Joint Declaration. The document is now largely a dead letter and Hong Kong's fate will be decided by the outcome of Palace politics in Peking and that capital's response to the boom in South China. That boom is going on and has been regarded quite understandably as a magnificent indicator for possible Hong Kong future prosperity. However the outcome of party politics in Peking may resolve in Deng Xiaoping being replaced by the very hard-liners he put in to office in the aftermath of Tiananmen. And those people are so minded as to see the sort of evil economic warlordism which is developing in Guangdong and Fujia, as parts of China running outside the writ of Peking's authority. And I think we should all bear in mind the possibility of a backlash to the centrifugal forces which are in some instances directly behind Peking's writ.

My conclusion is that while I wish Mr. Chris Patten all possible luck I think a lot of the power base from which he could have once have fronted out vis-a-vis Peking on Hong Kong's behalf has been given away by scholarly mandarins who rarely make good leaders.

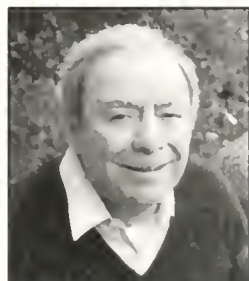
## MR IP

A personal view on a technicality might be of interest just for the record. When we have been talking about increasing the number of seats there has been this retort that we can't change the Basic Law before 1997 because there is a set mechanism on how to amend this after 1997. But my own view looking at the Basic Law in the relevant documents is that it is in fact not the Basic Law that needs amending at all. As a "through train model" was the decision of the NPC passed on 4th April 1990, I presume it can be revoked or changed. It is not a question of having to change the document, the Basic Law itself, but simply to change its own mind.

## ROBERT ELEGANT

I by no means consider the 1984 Agreement a triumph of anything except expediency and shortsightedness.

I want to talk now on a number of things that have been said from the point of view of someone who was in Hong Kong and Canton by chance ten days ago. I spent a lot of time talking to people on this issue. I would say in the first place that when people ask what is going to happen to Hong Kong after 1997, and my



normal reply is don't ask, it is already happening. We are already seeing the decrease of Hong Kong's effectiveness, in part because of the emigration - the exodus you might almost call it - in part because of the fear that causes that exodus. I found three very important developments in Hong Kong. When I first left Hong Kong I was returning to Germany and I was shocked at the low level of German efficiency. My standard of comparison was Hong Kong which I took as the normal standard of human efficiency. I didn't realise that it was simply the most efficient place in the world and I find that efficiency vastly decreased at the present time.

The second phenomenon I find very disturbing, regarding Hong Kong's future economic role and the factors that contribute to it, is the decline in the standard of English. That is a very major issue.

The other aspect is the breakdown of law and order. When I first came to Hong Kong, not many decades ago, there was the case of a retired Captain in the British Army who had a fight with his houseboy. The houseboy knew that he kept a rusted unserviceable revolver in the bottom of the trunk presumably as a memento. The houseboy turned him in and he was sent to gaol for a month because at that time you did not possess arms in Hong Kong under any circumstances unless authorised. I don't know whether the sentence was suspended or not but the point was made. Now there are gun battles on Nathan Road with AK47s and, I am told, I can buy grenades for HK\$5. The People's Liberation Army which is supposed to be one of the great supports of Hong Kong in the future, is feeding the criminal element with guns. China is exporting guns to Hong Kong. This is a major issue. Speaking of law and order, if I live in Hong Kong and have 100,000 Hong Kong dollars I can order almost any type of Mercedes delivered to me in three or four days. It costs up to 20,000 HK dollars to have the vehicle stolen, delivered to the dock, put into a speedboat and delivered to Hong Kong. And this is very disturbing stuff. To have lived through the 1967 eruptions when there were not only no guns, but the few arms the extremists had, killing mainly Chinese of course, had to come from dynamite sticks stolen from construction sites. Now in effect they have unlimited arms. This is all very disturbing.

There are very senior police officers who are now Chinese. I know of at least one who is going to put in his time, having been seen to be Chinese, then go on to Vancouver where he has financial interests. This does not provide continuity of administration, quite the contrary. The contention for the senior posts in the judiciary has already become vicious and corrupt with China putting her hand into it and so on. Indeed the whole issue of corruption, I am told, has become extreme because the independent Commission against Corruption can no longer function effectively. It isn't ruthless any more because in effect the Chinese entities are not to be prosecuted and everybody is mixed up.

Finally, on the boom. I spent only 24 hours in Shenzhen and Canton but I have been there before. In Shenzhen, I was there when it wasn't there. When you looked across the river you could see nothing but paddy fields. I found Shenzhen not exactly something to jump up and down and cheer about. It is a very intelligent exploitation of a very important resource which is cheap, educable, intelligent labour. I predict that within ten years Shenzhen will be a social ulcer of enormous virulence because it has no social infrastructure. It is there to make money and it doesn't do anything else. Crime in Shenzhen is even worse than it is in Hong Kong at the present time. Also there is this other problem which is the mainland Chinese genius for creating instant slums. My wife and I went to look at a factory, and we asked the same question we had in Canton a few years earlier. Contemplating the broken windows, the non-operating lifts, the stairwells choked with rubbish, the paint peeling and so on, I said "How old is this building?" Normally looking at it you would say 15/20 years of constructive neglect must have produced this condition. And the answer was two years. It is a kind of deteriorating asset.



The boom in Kuangdong is based primarily upon cheap labour and intelligent direction plus intelligent direction and investment from Hong Kong. It is to my mind in many ways a very febrile boom. It could go well. It is also rather fragile at the present time and if Hong Kong continues to deteriorate at the present rate I think that the boom will begin to slow down.

**MRS JIANG CHUN YAN,  
REPRESENTATIVE OF THE PEOPLE'S REPUBLIC OF CHINA**

I have listened with interest to what all the people here today have said and I am surprised that when the British and Chinese governments are trying to have good relationships and to co-operate over Hong Kong that people are advocating there should be more pressure on the Chinese side, and there should be all this talk about amendment to the Basic Law at this time. I think everybody here is clear on what China's position is on this. They have made it repeatedly clear as to whether this should be amended before 1997. I think that to be still talking about this is misleading and unconstructive. As to how it should be amended up to 1997 there are clear stipulations in the Basic Law which should be followed. I think on the one hand people are worried about the progress of the issues after 1997 concerning Hong Kong. On the other hand people are constantly referring back as to whether the Joint Declaration or the Basic Law should be amended. I think there should be goodwill not only on the Chinese side but on all sides including the public.

I also want to refer to Mr Elegant's remarks about the subject of security in Hong Kong. I think a lot of people are worried about this and there are active discussions between the British and Chinese side as to how to co-operate on this matter. I think the recent decision of the Chinese Government and Ministry of Public Security to send Liaison Officers to Hong Kong was well received. I think that is a good sign of co-operation. I regret to say that Mr Elegant's remarks about the PRC sending guns to Hong Kong are unfounded. We have strict controls about guns.

As to the question about crime in Hong Kong and Shenzhen there were problems before and there are maybe new problems.

**ROBERT ELEGANT**

If I am in error with regard to the role of the PLA in this, I withdraw my remarks. But I do however know one thing and that is the degree of control over the export of arms that was suggested along the Canton Guangdong frontier no longer exists and that does indicate some culpability on the part of some Chinese officials or a surprising lack of control on the part of China of its own frontiers. I would say here to Mrs Jiang Chun Yan that we have been discussing here possibilities for making the transition more valuable and better for both China and Hong Kong. Her position however, from what she has been good enough to tell us, remains the same. Would it perhaps not be desirable that the Chinese side should show a degree of flexibility instead of always saying these are the terms, these are the terms and they cannot be altered. It is just as much in Peking's interest, that this relationship and transition occur peacefully and prosperously as it is in the interests of anybody else in this room. And yet I find no indications of flexibility today.





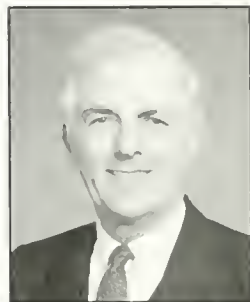
## NORMAN STONE

It is very depressing to hear people say that British foreign policy over this has been badly handled especially by the mandarins at the Foreign Office. Palmerston said that when he wanted to be given bad advice about a country he chose somebody who had been studying it for 30 years.

I noticed an extraordinary tolerance amongst senior British politicians for things like Tiananmen Square. How extraordinary it was to find someone sensible like David Owen, as he is normally, saying, "Well we wouldn't allow a lot of students to gather in Trafalgar Square". It goes without saying that Edward Heath said the same thing because he has an automatic homing instinct on the bully. After extraordinary mis-statements of this sort I am not at all surprised to find speaker after speaker saying that the British Government got Hong Kong wrong.

## RAY WHITNEY

Someone ought to defend the Government, the Foreign Office and those dreaded Orientalists in the Foreign Office of which I am an ex-member. When Norman Stone quotes Palmerston about the dangers of the expert's 30 years and his advice, I agree with that.



There is not a lot of point in going over history. As you, Chairman said in your opening remarks, we look forward. Inevitably we all have looked back and I really want to respond to Derek Davies and his attack on my erstwhile mates in the Orientalist section in the Foreign Office. Actually, in my submission, the whole thing was fairly quiescent until, in the late 70s, the pressure built up in Hong, particularly all the entrepreneurs in Hong Kong who were thumping the table and saying we do not like uncertainty in Hong Kong. We want to know what is going to happen in 1997.

## ALISTAIR LANG

I run the OMELCO office in London. In the debate in the House of Lords two days ago rather different points of view were expressed and some 13 speakers expressed a great deal of optimism on the growing economy in South China. I don't know whether we are right or whether there are people who will say we have failed to develop democracy in Hong Kong. What I do know is that the people of Hong Kong have to live with the consequences of our policy and of China's policy in the next few years. And very rightly there is a great deal of uncertainty. We must get this right. We must not be seduced by arguments on either side. Lord Wilson put forward two prescriptions for the future of Hong Kong. There is what appears to be the main theme here in Hong Kong which is the growing economic development between South China and Hong Kong. There is another point of view which is we must develop democracy in Hong Kong.

One thing that does concern me, and I would like to take up a point by Mr Davies that we should not put all our eggs in the basket of economic growth in South China. It can go wrong. Anyone who has read the recent Intelligence Digest report until the year 2000 has to pose the question: Is this the last chance? There are liable to be very difficult economic problems in South China. The forecasts are that 250 million people in China will be unemployed in this decade. China will have to start importing its own food. Now if the boom in China tends to bust what do we then have?





## ROSEMARY RIGHTER - THE TIMES

I start by agreeing about not putting one's eggs purely in economic growth in South China. I agree with that completely. I would like to put a question, really to Mr Ip who said in his extremely interesting paper that it was important for Britain to reach agreement with China not just on the number of elected seats in 1995 but on a timetable for fully elected seats. But it comes as no surprise that China once again yesterday in the Joint Liaison Group said the Basic Law will not be amended before 1997. Of course they are going to say that. I think one would expect them to continue to say that. The question that I put is that he said, "reach agreement with China". Does he think that the Governor should decide to go ahead with a timetable for full democracy in Hong Kong in the absence of agreement with China, ie unilaterally, and if he is so prepared, proceed with his timetable without consulting Peking since the answer is extremely likely to be negative. Hong Kong did pay a very high price, in my view too high a price, for the airport deal. What sort of price would it have to pay for democracy? Might it not be the sort of price that would make that democracy actually worthless?

### MR IP

As far as post 1997 is concerned, the Basic Law provides for a timetable up to the year 2007. All I was suggesting there was that I think that was the right time. It doesn't have to be within six months of Mr Patten's arrival but at the right time the issue should be addressed so that one can see the ultimate objective which already is enshrined in principle in the Basic Law itself which is to have fully directly elected seats in LEGCO in future. So let us look at the timetable beyond 2007 and put something in its place by agreement again.

### DEREK DAVIES

The fact remains that Mrs Thatcher specifically promised democracy to Hong Kong as did Sir Geoffrey Howe at a press conference in Hong Kong and thereafter in the House of Commons. A democratic system of government would be put into place as soon as possible. The pre-proposals were then taken by David Wilson to Peking. Peking said no. David Wilson returned and they were shelved. And the compromise of partly elected seats backed by the various organisations in Hong Kong was then brought out as a weak compromise to replace this broken promise. Now I agree that there is no sanction against China. However I do not agree with Sir David Ford who said that it is useless putting through reforms in Hong Kong if we know that the Chinese are going to rescind them post 1997. The fact is that the Chinese would be seen to be rescinding any guarantees of democracy or of human rights and I think that might give them pause even though we do not have any meaningful sanctions.

The Chairman expressed regret that Graham Hutchings was not present to deliver his fascinating paper, copies of which had been distributed. He hoped, however, that those present would read it and comment during the afternoon session. With relevance to the morning's discussion, the point made by Mr Hutchings was that the future of the whole area depended on what happened after Deng Xiaoping.



*Paper presented to the Friends of Hong Kong Committee Seminar,  
The House of Lords, 19 June 1992  
By Graham Hutchings, Peking Correspondent, The Daily Telegraph.\**

"Spring came early to south China. It was January. Flowers were everywhere in Shenzhen, and spring was very much in the air. It was at this time that Comrade Deng Xiaoping, general architect of China's reform, came to Shenzhen."

(Canton Evening News, 26 March 1992)

SPRING did indeed come early to China this year. The winter was less cruel than promised, and in Peking, the warmer weather arrived without the winds and sandstorms that usually mark the passage of spring. China's political life has been less tranquil. This year has already proved more turbulent than any since the 1989 crackdown on the student-led democracy movement, and a gale continues to blow from the south, triggered by the surprise public appearance, nearly six months ago, of Deng Xiaoping.

The eye of the storm was the Shenzhen Special Economic Zone, a city of skyscrapers, modern shopping arcades and Chinese people with more money in their pockets than any of their compatriots within the frontiers of the People's Republic.

The gale has since spread northwards, promising an end to the long night of ideological winter, and reviving the tired hopes of intellectuals, officials, ordinary people and even the pages of the official press.

Fittingly, news of Deng's "southern travels", in which he gave a ringing endorsement to the capitalist-style reforms that have transformed southern China broke first in Hong Kong.

There it was both fillip and prophylactic. For if a booming, capitalist south China was seen as the brick-work protecting Hong Kong from the "Communist north", then surely Deng's remarks were the cement that would keep the fortifications bound together. At the time of writing, the transition to Chinese sovereignty in 1997 seems a more agreeable prospect than it has done for some time.

Yet at risk of frowns from the Foreign Office as well as the Chinese Foreign Ministry; the ire of stockbrokers from Mid-Levels, and the even wealthier denizens of the Peak; and censure from bullish Legco members, as well as Peking's newly-appointed Hong Kong Advisers, I believe that the transition from Colony to Special Administrative Region will be one of the least important factors determining the future of Hong Kong. To discern the fate of Britain's last major colony we must look north, beyond its narrow frontiers. The transition that matters is in China, not in the tiny territory that sits on its southern periphery. It is the transition of leadership from one generation to the next; the transition from a Leninist, to a less ideologically-hidebound polity; the transition from a political process characterised by suspicion, secrecy and cabals, to one that is more responsive, representative and transparent.

Above all, it is the transition from an ancient, unique, ethnocentric and deeply conservative civilisation into a modern nation state. Alongside these issues – on which I propose to reflect during the next few minutes – questions of how many Legislative Councillors should be directly elected, how comprehensive the Bill of Rights should be, and whether or not the People's Liberation Army should be stationed in Central, are interesting, but essentially secondary.

When "leaders" don't lead: the problem of power.



One way to understand Deng Xiaoping's spectacular re-intervention in political life this year is to view it as a limited atonement. Three years ago this month, Deng unleashed the army on the citizens of Peking and replaced Zhao Ziyang, the reformist Communist Party leader, with Jiang Zemin.

There are no signs at all that he is sorry about calling in the troops; there are several that he is bitterly disappointed with Jiang, his third chosen successor.

It is not as if the bespectacled former mayor of Shanghai had not been given a chance. Ever since his appointment he has been praised as the "kernel of the third generation" of the party's leadership, but he has yet to take an initiative on any major matter of policy.

Instead, he has succumbed to the conservative resurgence triggered by the Tiananmen Square crackdown and reinforced by the collapse of Communism outside of China. Jiang has ridden, not resisted a political wave that, until the start of the year, bade fare to roll back the free-market reforms launched by Deng a dozen years ago.

It is irrelevant that these reforms cannot, in fact, be reversed. The danger stems rather from attempts to do so on the part of a pedestrian, but still powerful central leadership.

It appears that Deng became so desperate at this turn of events that he ambushed the leadership in January by heaping praises on the Shenzhen Special Economic Zone, the most controversial political experiment in China since Chairman Mao's communes.

His eulogy to those gleaming towers found official expression in a dramatic statement from the Politburo in March calling for resistance against hardline Marxists, and faster reform. The text of his remarks, in the form of selected versions, have since become study materials for China's 50 million party members, each of whom has one eye on the page and the other on the national party congress due this autumn.

This is not the occasion to assess the current progress of Deng's reform offensive, nor to forecast the outcome of what will certainly be an important year for China. My concern is rather to draw attention to the tragi-comic, indeed, almost absurd aspects of what has been labelled as Deng's "last stand".

No one concerned with Hong Kong, China, or even Asia as a whole can fail to have been moved by Deng's reappearance. The little man is back, extending one of the most remarkable political careers of the century beyond the "natural" frontiers of age and changed international circumstances.

Equally, no one should have failed to notice that Deng's return has raised the stakes, notably in Hong Kong, to a dangerously high level. Policy in the world's most populous state is being driven by an 87 year-old desperately in search of a successor.

What happens when there is no longer an octogenarian around who is physically well enough to hijack the "third generation of the leadership" in Peking?

It is now more apparent than ever that the issue for Hong Kong is not what happens after 1997. It is what happens after Deng Xiaoping.



## BRIAN CROZIER

You will remember that Mao Dzедong used to refer to Deng Xiaoping as “that capitalist roadster”, and Deng Xiaoping was frog-marched humiliatingly through the streets during the Cultural Revolution. He remained in disgrace for about 10 years, emerging again about three or four years after Mao’s own death. He thereafter proceeded to prove that Mao Dzедong had been absolutely right in the “capitalist” label.

The problem is that he is trying to square the ideological circle, and it is no easier to square an ideological than a geometrical circle. As we all know, Deng Xiaoping went on a speaking tour of Guangdong Province in March, and he said repeatedly that “we need more and more entrepreneurs, we need more and more private enterprise, we need more market economy, and all these will strengthen socialism”. It actually doesn’t make sense. And then of course he is involved in a tremendous ideological dispute with Premier Li Peng, a hardliner who does not like the things that Deng is calling for, but Deng Xiaoping has managed to isolate Li Peng and the so-called leftists. A document was drafted by Li Peng and submitted to Deng Xiaoping for his approval. Deng made hundreds of amendments and it was the Deng Xiaoping version that was accepted by the ruling party.

Now he appears to have won the argument, at least for the time being and the Party’s General Secretary Jiang Zemin, has accepted his views. Even Quiao Shi, who is in charge of the security police, has accepted them and has threatened the leftists. Indeed, he has given a kind of ultimatum to the Chen Yun faction, which must be assumed to include the Li Peng faction and so, at least for the time being, Deng Xiaoping has won. But of course one must bear in mind that although Deng Xiaoping has no doubt prolonged his life by smoking eighty cigarettes a day for many years and is still going strong, he is 87, and may not be around for much longer. Although he has no titles, he is known as the Paramount Leader, which reflects his real power.

And now, I shall give you the most interesting quote of all. It came the other day from the Commission for the protection of State Secrets, which of course Quiao Shi controls. There was a national conference in May to study the means of increasing the protection of Party and State secrets, “the better to serve the needs of economic construction, reform and openness”. There we have another attempt to square an ideological circle. So apparently, one encourages capitalism and that is good for socialism. And one strengthens the Committee for State secrets to protect openness!

I wish I were a betting man, because if I were I would have done rather well out of the collapse of the Soviet Union. A couple of years ago my last book entitled “The Gorbachev Phenomenon” was published. In the last few pages I foresaw a hardline coup, the collapse of communism, the fall of Gorbachev and the rise of Yeltsin but nobody wanted to know. I think that communism in China will collapse before the hand over of Hong Kong, and I hope to be around in five years’ time, to see whether I would have won that bet, had I placed it.

## RAY WHITNEY

I would hope to end on the same optimistic note that Brian Crozier left us with.

One of the schools I went to had a little motto which translated roughly from the Latin as something like “You should always aim your arrow at the moon so that you then have a chance of getting it over the tree” and I believe that should always be the sort of motto of any pressure group, if that is not too unkind to describe those present, to get the thing as right as they can in Hong Kong. That is to say, one should





aim at something which is probably not quite achievable in the world of realpolitik but it stretches the decision makers, the politicians, the office holders a bit more than it otherwise would and therefore that would be my approach to the Hong Kong position from which we start now. But I do think we have to be fairly realistic against that sort of background and I also recognise that with any practising politician – let's be realistic chaps – that's the time to hang on to your wallets and start being revolutionary. We are not going to get anywhere unless we face that particular issue.

We agreed before lunch we would not go through the history too much but to see where we are. David and I and I think Bob Elegant almost reached agreement. We started to get here because of the uncertainty in Hong Kong – maybe it is 15 years ago, 20 years ago whatever – about what the hell was going to happen after 1997. And although Government emissaries from Britain were told by Chinese leaders let your hearts be at ease, apparently it wasn't good enough and Margaret Thatcher set in motion the mechanism which ended up with the treaty and Accord in 1984 and that is where we are.

I think one of the most revealing differences is the attitude to law that one finds in Hong Kong and in mainland China. I wouldn't think I know enough to comment on Taiwan but I suspect that it is very much the same. There is a very Anglo-Saxon view of the law which has become deeply embedded in Hong Kong practitioners and was eloquently and very impressively demonstrated by what Mr Ip had to say and his whole approach. But of course the mainland Chinese would scarcely know what he is talking about because they simply do not approach the law in that way. And I raise that as one example – the most demonstrable example, the difference and the problems we all have. This is the measure of what everyone has been wrestling with certainly since 1984 and of course a long time before. And we are getting too apologetic on behalf of the British Government and I am not here as their spokesman. When it was decided for reasons I would not entirely endorse but it was decided to sort it out, there were pretty few cards in the British hand and we have to ask ourselves, the sort of things that Derek Davies was suggesting as of now and for the next year or two, there is a tendency to exaggerate the number of cards that are in our hands at the moment. Yes there is a desire for stability, hope, recognition in the mainland China. There is the goose laying the famous golden egg that the economic prosperity of Hong Kong brings to China and we must all hope that that is a strong factor in getting the right answer we all want for the future. I certainly spend a lot of time when I have the opportunity of speaking to Chinese as high up the tree as I can manage, whether I see them in Peking or whether they come from London, to get them to understand what I describe as the extraordinary chemistry of Hong Kong. I think it is extraordinarily difficult for them to do so. The way I approach it is they do not want to do to Hong Kong what they did to Shanghai. I hope that is the message that is understood.

On the question for example of democratic development in Hong Kong, it is outrageous to see the voting arrangements in LEGCO in Hong Kong and the timetable for getting majority voting, and so with the Martin Lee approach we have great sympathy. We also have to take account of the fact, as Murray MacLehouse pointed out the other day, that more than 80% of the people in Hong Kong did not vote in those elections. They see themselves going pretty slowly. Lydia Dunn was also saying we wish the Government had not raised again this speeding up of democratic evolution.

Let's for God's sake go slowly, we have to take account of that sensitivity. It is much more difficult to push it, we are likely to make more trouble it seems to me. And this again sounds a pretty wimpish approach. If I were writing a resounding editorial in the Spectator I would be saying "Oh my God, the poor old thing is selling the pass again". But I hope it is the Foreign Office saying let us be realistic about what having reached this difficult and in my view rather unhappy position, what the hell is it likely and realistic that we can achieve?



On this question which many people including Julian Amery discussed today about the link between political liberation, liberal policies and economic liberal policies I believe that link at the end of the day is inescapable. Julian quoted Chile, South Korea and Taiwan itself but I would submit to him that actually what we found is within a period, probably a ten year period which is a very short time, actually for economic liberalisation does get followed by a considerable degree of political liberalisation. Therefore I finish where I started on the optimistic note that Brian left us with. I don't see any great breakthroughs in re-negotiating the Basic Law or anything like that. I do think we have to keep up the international spotlight on the Chinese and on Hong Kong but I believe we have to be optimistic, that the economic developments that we have all heard about in Guangdong will be followed by a degree of political stabilisation and autonomy which can give the sort of stability that the majority of Hong Kong people can live happily with.

## DR STEVE TSANG

Let me start by saying how pleased I am to see Brian again. I too hope that communism as a political system could collapse in China before 1997 but I am afraid I cannot share Brian's optimism. I think it is going to take a bit longer. Going back to Hong Kong, there are two important points that Mr Whitney raised. The first one is about the United Kingdom having very few cards to play. I am not entirely sure I agree with that. I think the UK do have cards to play. Sometimes the question is if you play the cards rightly. This of course is related to the second point, about re-negotiating the Joint Declaration. Certainly I wouldn't say that the Joint Declaration should be re-negotiated. Whether it is a good document, bad document or whatever, the document is a fact. There is no question of re-negotiating it, that is sure. But the Joint Declaration, I would have thought, is a major card which the United Kingdom has to play in the game with the Chinese. Why on earth did Britain start negotiations with China if, having reached an agreement, Britain is not prepared to insist on the agreement being strictly adhered to? That, in a sense, is the basic criticism of Britain's policy towards Hong Kong since 1984.

I think one cannot really justifiably argue and criticise Britain for having started negotiations, though other people may say that perhaps the best thing was not to have started negotiations at all. It was an honourable thing to have done. If it was a mistake it was an honourable mistake. One has to recognise that. But having got the Agreement, I think it was in 1984, when the Joint Declaration was presented to the House of Commons it was made quite clear that, together with the Joint Declaration, democracy was to be introduced to Hong Kong. In my view that was the last time when democracy could have conceivably been introduced to Hong Kong. When that chance was missed Hong Kong missed the boat. There is no chance of Hong Kong now being able to develop into a democratic state before 1997. So there's no point in wasting time on that.

Hong Kong has got more practical problems which it will have to face. Let me now move very quickly to what I think are the three basic factors which will be important for Hong Kong's future. The first one is Hong Kong's relations with China. The second one is domestic development in Hong Kong and the third one is Hong Kong's relations with the United Kingdom.

Let me start with Hong Kong's relations with China. I do not agree with those who are confrontational towards the PRC for the sake of being confrontational. I am equally critical to those who are accommodating to the PRC for the sake of being accommodating. Why be accommodating or confrontational? The thing is that Hong Kong must be able to develop on account of her understanding with the PRC as to how things should be run in Hong Kong. And that should be done even before 1997. In order to achieve that Hong Kong will have to use accommodation or firmness when that is necessary. I think if



one has to sum up what Hong Kong's policy towards China should be in a sentence, or a phrase, I would say the policy must be firmness without provocation. Think clearly about what Hong Kong wants to do and approach it realistically, practically and persuade the Chinese to accept it.

The second point I want to raise is about Hong Kong's domestic developments. And it is a very important issue because, there is little Hong Kong can do to change China's policies towards Hong Kong. But there is a lot Hong Kong can do domestically to direct events in Hong Kong, and that of course will have an impact on how the Chinese look at Hong Kong. The Congressman made a very important point about subversion. The bottom line of the PRC towards Hong Kong is that anything that is to be done in Hong Kong cannot be subversive to the present government of the PRC. After the tragic events in Beijing in 1989 there was a tendency in Hong Kong for people there to get political events in Hong Kong confused with political events in China. I have to refer to two factors. There exists in Hong Kong an identity crisis. People in Hong Kong sometimes think of themselves as Hong Kong persons, sometimes thinks of themselves as Chinese. As Hong Kong persons they would want a one country two system model and therefore no interference from the PRC whatsoever. On the other hand as Chinese persons they would want a say in things as a Chinese person. Surely I can voice my opinion of events in China. That would include of course what they would hope to be the end of communism in China. That I think is a major mistake because that is something the PRC would not tolerate. If Hong Kong wants to keep Hong Kong as it is then Hong Kong would have to limit its ambition. Hong Kong people will have to solve their own identity crisis and try in so far as possible to insulate Hong Kong politics from PRC politics. So that the PRC believe Hong Kong is not trying to subvert China, and allow Hong Kong to go the way that Hong Kong wants to go will not necessarily mean the collapse of communism in China. That we can hope will happen but we can't do anything about it.

The third point of course is Hong Kong's relationship with the United Kingdom. I think here speaking in the House of Lords one would have perhaps to ask what can the UK do for Hong Kong? Well, two things I think. The UK can provide a lot of support for Hong Kong, whilst Hong Kong, as I said earlier, follow a policy of firmness without provocation towards the PRC. The firmness that Hong Kong wants to follow can only be a reality if Hong Kong is backed up by the United Kingdom. Backing up Hong Kong's firmness I think also has to be practical and realistic. Why bother about whether Hong Kong will have another two elected seats or five, when that does not matter all that much? Why not avoid unnecessary controversy and stick to the necessarily important things that Hong Kong can possibly achieve and the Chinese will not necessarily object to? Like independence of the legal system. I think that is far more important.

The other thing about Hong Kong - UK relations is that for the PRC, in spite of the fact that they do not say they are going to take over Hong Kong as a colony, that is what they are in fact trying to do. They are looking at Britain's relationship with Hong Kong over the past 150 years as an example. Anything that the British have done before, up to now and up to 1997, the Chinese also will insist they should be able to do. Then they will want to do more than the British have done and therefore it is vitally important that Britain set the right example in its relations with Hong Kong.

I am a student of colonial history. I know basically Britain has a pretty honourable colonial record. There might be times where there was heavy handedness by Britain but if that has happened in the past it must be avoided in the future at all costs. Not only in reality but in appearance as well. People in Hong Kong and China must be able to see that London does not try to squeeze and advantages from Hong Kong because of the relations which they have with Hong Kong. That will not prevent China from trying to get its advantages from Hong Kong but at least that would remove an excuse.



## THE SEMINAR CONCLUDED WITH AN ADDRESS BY DAME JILL KNIGHT, PRESIDENT OF THE FRIENDS OF HONG KONG COMMITTEE:

I have put down, as I wrote my notes on what each speaker said, the words that I thought summed up their address to us. I thought that for David Howell's address the word, undoubtedly, was optimism. He felt that Hong Kong should be a great free republic and that this was the objective of this government. "Radiating", he said, "its influence, lasting enduring and growing". I can see among the audience a little doubt as to whether that was so. Never mind, the optimistic note was struck. He reminded us quite rightly of the stature of Chris Patten who has been unfairly described and put down as a defeated politician. And I think he put us absolutely right on that. He did say, too, that Hong Kong and that area was the most exciting area in the world.

Then we followed that by Simon Ip. And the word for him is apprehensive. Here is without any question not only a lawyer but a leading lawyer at that.

I have to comment on Simon Ip's suggestion that there ought to have been automatic right of abode for all Hong Kong citizens in Britain. Many of us represent constituencies which are small in area but very crowded in numbers. We haven't enough houses or jobs or schools or hospitals for the people here already. We love Hong Kong. We want to help Hong Kong in every way we can but we shan't help Hong Kong by upsetting a very large number of people, making a difficult situation quite impossible.

Mr Ip had doubt about whether the international monitoring of Hong Kong can go on unless China agrees. And I think that is a very valid point indeed. He talked interestingly about some of the geographical developments which were certainly new to some of us and he mentioned that word that sums up China - instability - and how many years that has gone on and how much that affects Hong Kong as it feeds Hong Kong's fears.

Then we had Professor David Chang. I thought he didn't have just one word but a scholarly assessment of a different dimension because he spoke of Taiwan and Hong Kong and the very close ties that have developed between the two. What would happen to those ties after 1997? He said one very important thing which I want to come back to at the end of what I am going to say.

Then we came to the panel, and on the panel we had a self-confessed Cassandra, a self-confessed Jeremiah and a positive David among Goliaths. We also had my old friend Ray Whitney who was sort of flung in at the last moment to keep the balance. And I was very glad indeed that he was there. But it was a very stimulating panel session indeed. And we are very indebted to those who spoke.

At lunch we had a history lesson. I thought that Julian (I must learn to call him Lord Amery) was fascinating and I always think it is a marvellous thing to find yourself in a link with history.

After lunch we had Doctor Yu Ming Shaw who is an old friend of mine. How right you are Ray. We are a lot of us very old friends. I suspect it is of general interest that we all share that constantly brings us together and basically we don't change the tremendous interests we have in our lives. Dr Shaw emphasised the critical nature of the next few years for Britain. In fact he followed Lord Amery's economic history. He spoke of Hong Kong's pivotal role in bringing change to China. Perhaps we have that theme picked up later of Hong Kong's example and what that was going to do to China whether or not it would spread out as others clearly feel it would.





Then we had Congressman Crane. The word for him was “stimulating” I thought. He stressed the difference between communist government and the people living under the communist government. And again it always seems to me that if you look at China mainland and Taiwan you see more clearly than in any other way the awfulness of communism and how communism and the system absolutely stultifies the lives of the people it directs, although these are the same people.

We finally had Steve Tsang who has become an old friend and member of the committee. He spoke of how Hong Kong and the UK relations should or could continue. We always listen to him with enormous respect and care because what he has to say is very wise and very important.

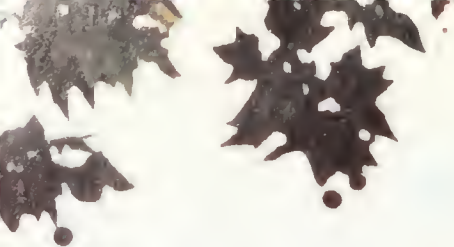
We have had, I think Mr Chairman, a true debate. There is no doubt about that. As I said just now I wanted finally to come back to what Professor Chang had said. He said this, which I thought was extremely important. I wrote it down. “The last thing Peking wants to see is the transformation of the Hong Kong issue into world wide attention.” In other words let us all shut up about Hong Kong if we want to please the Communists. Now we are not shutting up about Hong Kong. We are about bringing the issue constantly forward, having discussions about it, having the world look at it and keep on looking at it because if the whole thing is under the eyes of international people who look at these things and argue when things are going wrong then I don’t think the Communists will dare say, or do, some of the things some of us fear. And maybe if we listen to Brian it won’t happen anyway.

Finally I know Ladies and Gentlemen you would wish me to express your thanks to Vice-Admiral Sir John Roxburgh who has been a perfectly splendid Chairman throughout, kept us in order as you would expect, run a tight ship here in the House of Lords and now many of you can go back home and talk casually at the next dinner party of when you spoke in the House of Lords.



Peers Robing Room, known as the Moses Room, House of Lords.





香港前途

Friends of Hong Kong Committee





